

relating to the transactions contemplated hereby), or (C) is authorized by its board of directors to proceed with a Competing Transaction, irrespective of whether such Competing Transaction is approved by the Bankruptcy Court and/or consummated,

(ii) Prior to the Closing, any Seller abandons or files a motion with the Bankruptcy Court to abandon all or any material portion of the Acquired Assets,

(iii) Prior to the Closing, any Seller files any plan of reorganization other than the Bankruptcy Plan, files any material amendment to the Bankruptcy Plan, withdraws the Bankruptcy Plan or consents to the reduction of the Exclusivity Period or fails timely to file motions to obtain orders of the Bankruptcy Court extending the Exclusivity Period or the Bankruptcy Court denies confirmation of the Bankruptcy Plan, provided, however, that to the extent either Sellers or Buyer has delivered an Early Closing Election, this Section 8.1(c)(iii) shall be inapplicable,

(iv) The Bankruptcy Court terminates the Exclusivity Period or declines to extend the Exclusivity Period, provided, however, that to the extent either Sellers or Buyer shall have delivered an Early Closing Election, this Section 8.1(c)(iv) shall be inapplicable;

(v) The voluntary dismissal or conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code, or

(vi) Upon the appointment in the Cases of a trustee or examiner with managerial powers under section 1104 of the Bankruptcy Code, or

(vii) Prior to the Early Funding Date, any Order is entered by the Bankruptcy Court which would result in the failure of any of the conditions to the obligations of Buyer set forth in Section 7.1 or 7.2; provided, that following the Early Funding Date, this Section 8.1(c) shall have no further force or effect.

(d) By Sellers, on the one hand, or Buyer, on the other, if Buyer or Sellers, as the case may be, materially breach any of its covenants under this Agreement, unless such breach shall be cured within ten (10) Business Days after such other party shall have received notice of such breach in accordance with the terms hereof.

(e) Prior to the Early Funding Date, by Buyer if there is a breach of any representation or warranty contained in Article IV hereof (without regard to any qualifications concerning materiality or Material Adverse Effect contained in Article IV), which breach, in the aggregate with all other such breaches, if any, would give rise to a failure of the condition set forth in Section 7.2(a) (with the date of such termination being substituted for the references to Early Funding Date therein) and which breach could not reasonably be expected to be cured using reasonable efforts by the date set forth in Section 8.1(b); provided, that following the Early Funding Date, this Section 8.1(e) shall have no further force or effect.

8.2 Effect of Termination. In the event of termination of this Agreement pursuant to this Article VIII, written notice thereof shall be given to the other party of this Agreement as promptly as practicable and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by Buyer or Sellers. If this Agreement is terminated as provided herein there shall be no liability or obligation on the part of Sellers or Buyer, unless (i) this Agreement is terminated (A) by Buyer pursuant to Section 8.1(b) when ATI does not have the right to terminate this Agreement pursuant to Section 8.1(b) due to breach of the Agreement by Sellers, or (B) by Buyer pursuant to Section 8.1(c) or (d), or (ii) Buyer terminates this Agreement pursuant to Section 8.1(e) as a result of Sellers' gross negligence or willful, wanton or reckless action or inaction taken or not taken with an intent to cause the termination of this Agreement or otherwise negatively impact the transactions contemplated hereby (collectively, a "Sellers' Intentional Breach") or Buyer elects not to close because the condition set forth in Section 7.2(a) has not been satisfied as a result of a Sellers' Intentional Breach, provided, however, that with respect to any such termination of this Agreement pursuant to Section 8.1(b), (c) or (d) following the Sale Order Approval Date, or (ii) Buyer's election to terminate this Agreement pursuant to Section 8.1(c) or not to close, in each case because the condition set forth in Section 7.2(a) has not been satisfied, as a result of a Sellers' Intentional Breach following the Sale Order Approval Date, Buyer shall be entitled to terminate this Agreement immediate payment, as liquidated damages and not as a penalty, of (i) the Expense Reimbursement (which Expense Reimbursement shall not exceed \$10 million) and (ii) \$30 million (the "Liquidated Damages") Sellers and Buyer acknowledge that the damage suffered by the Buyer in the event of any such termination would be impossible to calculate, and the Liquidated Damages constitutes a reasonable estimate of such damages. In the event prior to the Early Funding Date Buyer terminates this Agreement pursuant to Section 8.1(e) or elects not to close, in each case because the condition set forth in Section 7.2(a) has not been satisfied as a result of some reason other than a Sellers' Intentional Breach, Buyer shall be entitled to immediate payment of the Expense Reimbursement (which Expense Reimbursement shall not exceed \$5 million). Except as provided in Section 9.14, Buyer's sole and exclusive remedy under this Agreement shall be limited to the recovery of the amounts set forth in this Section 8.2. None of the amounts payable under this Section 8.2 or 8.3 shall prime the Liens held by the Sellers' senior secured lenders and any such amounts payable shall be subordinate to the carve out for professional fees and fees under 28 U.S.C. § 1930 as provided in the Bankruptcy Court's order authorizing Sellers to use cash collateral that was entered in the Cases.

8.3 Bankruptcy Events.

(a) At anytime prior to Closing, Sellers in their sole discretion, after consultation with the statutory committee of unsecured creditors appointed in the Chapter 11 Cases and the Sellers' pre-Petition senior lenders, may deliver an Early Closing Election to Buyer.

(b) In the event that Sellers fail to comply with the timeline set forth on Exhibit J, or at anytime from and after June 30, 2004 and prior to Closing, Buyer may deliver an Early Closing Election to Sellers.

(c) In the event an Early Closing Election is delivered pursuant to the terms hereof, the provisions of Section 3.5 hereof shall apply; provided, however, that Sellers shall serve, at least twenty (20) days prior to the Closing, the notice of Sellers' intent to assume and assign the Assumed Contracts on all non-debtor parties to the Assumed Contracts, rather than at least twenty (20) days prior to the hearing to confirm the Bankruptcy Plan. Within three (3) Business Days of receipt by Sellers or Buyer, as applicable, of an Early Closing Election notice, Buyer will provide to Sellers a list of Executory Contracts to be assumed by Allegiance and in the case of Sellers, assigned to Buyer (the "Additional Assumed Contracts") and Sellers shall immediately notify the counterparties to such Additional Assumed Contracts substantially in the form of notice attached to the Sale Order. Except as provided above, the Closing following an Early Closing Election shall occur no sooner than twenty (20) Business Days after the delivery of such notice. For the avoidance of doubt, to the extent the Early Closing Election is exercised, Section 7.4(a) shall have no further force and effect. For the purposes of this Agreement "Early Closing Election" shall mean the delivery by Sellers to Buyer or by Buyer to Sellers, as applicable, of a written irrevocable election to close the transactions contemplated by this Agreement pursuant to an asset sale rather than a sale of stock of the direct Subsidiaries of ATCW. To the extent an Early Closing Election is delivered, the Operating Subsidiaries shall be deemed to constitute Sellers under this Agreement and each Operating Subsidiary shall sell its assets to Buyer. Notwithstanding anything to the contrary contained herein, the Bankruptcy Plan shall provide that Buyer is not assuming liabilities of the Operating Subsidiaries of the types and in the nature of those listed in Section 2.4 in connection with Buyer's acquisition of the stock of the Operating Subsidiaries in accordance with the terms and conditions hereof.

ARTICLE IX MISCELLANEOUS

9.1 Expenses. Except as set forth in this Agreement (e.g., Liquidated Damages provisions and the expense sharing arrangements set forth in Sections 2.6, 2.7 and 6.10) and whether or not the transactions contemplated hereby are consummated, each party shall bear its own costs and expenses incurred or to be incurred by such party in connection with this Agreement and the consummation of the transactions contemplated hereby.

9.2 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by Sellers without the prior written consent of Buyer, or by Buyer without the prior written consent of ATI, provided, however, that, Buyer may assign its rights and obligations hereunder, in whole or in part, to any wholly-owned Subsidiary of Buyer, provided that no such assignment shall relieve Buyer of its liabilities and obligations hereunder if such assignee does not perform such obligations and provided, further that this Agreement may be assigned to one or more trustees appointed by the Bankruptcy Court to succeed to the rights of Sellers. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and except as otherwise expressly provided herein, no other Person shall have any right, benefit or obligation hereunder.

9.3 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of Sellers and Buyer, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. Without limiting the foregoing, no direct or indirect holder of any equity interests or securities of either Sellers (other than Sellers themselves) or Buyer (whether such holder is a limited or general partner, member, stockholder or otherwise), nor any Affiliate of either Sellers or Buyer, nor any Representative or other controlling person of each of the parties hereto and their respective Affiliates shall have any liability or obligation arising under this Agreement or the transactions contemplated thereby.

9.4 Notices. Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by any party to any other party shall be in writing and shall be delivered in person or by courier or facsimile transmission (with such facsimile transmission confirmed by sending a copy of such notice, request, instruction or other document by certified mail, return receipt requested, or overnight mail) or mailed by certified mail, postage prepaid, return receipt requested (such mailed notice to be effective on the date such receipt is acknowledged), as follows.

If to Sellers

c/o Allegiance Telecom, Inc.
700 E. Butterfield Road, Suite 400
Lombard, IL 60148
Attention. Mark B Tresnowski, Esq.
Executive Vice President, General Counsel and
Secretary
Fax. (630) 522-5250

With a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
153 East 53rd
New York, NY 10022
Attention. Jonathan S Henes, Esq
Kimberly Taylor, Esq
Fax: (212) 446-4900

If to Buyer

XO Communications, Inc
11111 Sunset Hills Road
Reston, Virginia 20190
Attention General Counsel
Fax (703) 547-2025

With a copy to (which shall not constitute notice).

Brown Rudnick Berlack Israels
120 West 45th Street
New York, NY 10036
Attention: Edward S. Weisfelner
Steven D. Pohl
Fax: (212) 704-0196
(617) 856-8201

or to such other place and with such other copies as either party may designate as to itself by written notice to the other party. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received two (2) days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof.

9.5 Choice of Law This Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the Bankruptcy Code and the substantive laws of the State of New York for contracts expected and likely to be performed solely within such state without regard to the conflict of laws principles thereof or of any other jurisdiction.

9.6 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) and the other Transaction Documents constitute the entire agreement between the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the parties. No supplement, modification or waiver of this Agreement (including any schedule hereto) shall be binding unless the same is executed in writing by all parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), and no such waiver shall constitute a continuing waiver unless otherwise expressly provided.

9.7 No Recourse Against Third Parties. Buyer agrees for itself and for all of its officers, directors, shareholders, Affiliates, attorneys, agents and any other parties making any claim by, through or under the rights of such persons (collectively, the "Buyer Group") that no member of the Buyer Group shall have any rights against any creditor, officer, director, shareholder (other than Sellers themselves), Affiliate, attorney or agent of Allegiance (each, individually, a "Non-Recourse Person") for any damages, suits, claims, proceedings, fines, judgments, costs or expenses (including attorneys' fees and incidental, consequential or punitive damages) (collectively, "Losses") that any Buyer Party may suffer in connection with this Agreement. If any member of the Buyer Group makes a claim against any person or entity other than Buyer that is not a Non-Recourse Person (a "Third Person") that in any way gives rise to a claim by such Third

Party against any Non-Recourse Person asserting that such Non-Recourse Person is or may be liable to such Third Party with respect to any Losses arising in connection with this Agreement (whether by way of indemnification, contribution, or otherwise on any theory whatever) (a "Claim Over"), such member of the Buyer Group shall reduce or credit against any judgment or settlement such member of the Buyer Group may obtain against such Third Party the full amount of any judgment or settlement such Third Party may obtain against the Non-Recourse Person on such Claim Over, and shall, as part of any settlement with such Third Party, obtain from such Third Party for the benefit of such Non-Recourse Person a satisfaction in full of such Third Party's Claim Over against the Non-Recourse Person. The provisions of this Section 9.7, however, shall not apply as to any fraud claims.

9.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

9.9 Confidentiality. Prior to the Closing and after any termination of this Agreement, the provisions of the Confidentiality Agreement shall continue in full force and effect; provided, however, that effective as of the date hereof the provisions of the Confidentiality Agreement restricting Buyer and its Affiliates from discussing the transaction contemplated by this Agreement with third parties shall no longer apply. After the Closing, Buyer shall no longer be subject to the provisions of the Confidentiality Agreement, except to the extent the confidential information specifically relates to Shared Technologies. In the event of any conflict between the provisions of this Agreement and the Confidentiality Agreement, the provisions of this Agreement shall prevail. From and after the Closing, Sellers agree to keep confidential all confidential information relating to the Business, and agree not to disclose such information except as required by Law. Notwithstanding anything herein to the contrary, Buyer and Sellers (and each Affiliate and person acting on behalf of any such party) agree that each party (and each Representative of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such party or such person relating to such tax treatment and tax structure, except to the extent necessary to comply with any applicable federal or state securities laws. This authorization is not intended to permit disclosure of any other information, including (i) any portion of any materials to the extent not related to the tax treatment or tax structure of the transaction, (ii) the identities of participants or potential participants in the transaction, (iii) the existence or status of any negotiations, (iv) any pricing or financial information (except to the extent such pricing or financial information is related to the tax treatment or tax structure of the transaction) or (v) any other term or detail not relevant to the tax treatment or the tax structure of the transaction.

9.10 Invalidity. If anyone or more of the provisions contained in this Agreement (other than any of the provisions contained in Article II or Article III hereof) or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, the parties shall use their best efforts, including the amendment of this Agreement, to ensure that this Agreement shall reflect as closely as practicable the intent of the parties hereto on the date hereof.

9.11 Headings. The table of contents and the headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

9.12 Exclusive Jurisdiction. Without limiting any party's right to appeal any order of the Bankruptcy Court, (a) the Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (b) any and all claims, actions, causes of action, suits and proceedings related to the foregoing shall be filed and maintained only in the Bankruptcy Court, and the parties hereby consent to and submit to the jurisdiction and venue of the Bankruptcy Court and shall receive notices at such locations as indicated in Section 9.4 hereof.

9.13 Waiver of Right to Trial by Jury. Each party to this Agreement waives any right to trial by jury in any action, matter or proceeding regarding this Agreement or any provision hereof.

9.14 Specific Performance. Each of the parties hereto acknowledges that the other party hereto would be irreparably damaged in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions thereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, in addition to any other remedy to which the parties may be entitled, at law, in equity or pursuant to this Agreement.

9.15 Counting. If the due date for any action to be taken under this Agreement (including the delivery of notices) is not a Business Day, then such action shall be considered timely taken if performed on or prior to the next Business Day following such due date.

9.16 Service of Process. Each party irrevocably consents to the service of process in any action or proceeding by receipt of mailed copies thereof by national courier service or registered United States mail, postage prepaid, return receipt requested, to its address as specified in or pursuant to Section 9.4 hereof. However, the foregoing shall not limit the right of a party to effect service of process on the other party by any other legally available method.

9 17 Time of Essence, Effectiveness of the Closing Date. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence. In the event the Closing Date occurs prior to the occurrence of the Early Funding Date, for purposes of Article II, Sections 6.1, 7.1, 7 2, 7 3, and 8.1, all references to Early Funding Date shall be replaced with references to the Closing Date.

9 18 Exhibits and Schedules. The Exhibits and Schedules attached to, delivered with and identified to this Agreement are a part of this Agreement the same as if fully set forth herein and all references herein to any Section of this Agreement shall be deemed to include a reference to any Schedule named therein. Any disclosure made in any Schedule to this Agreement which is applicable to another Schedule to this Agreement shall be deemed to be made with respect to such other Schedule regardless of whether or not a specific cross reference is made thereto if the relevance of such disclosure to such other schedule is reasonably apparent on its face

9 19 Interpretation

(a) Whenever the words “include,” “includes” or “including” are used in this Agreement they shall be deemed to be followed by the words “without limitation.”

(b) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both singular and plural forms of such terms

(d) Words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning

(e) A reference to any party to this Agreement or any other agreement or document shall include such party’s successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto

(g) All references to “\$” and “dollars” shall be deemed to refer to United States currency unless otherwise specifically provided.

(h) All references to any financial or accounting terms shall be defined in accordance with GAAP

9.20 Preparation of this Agreement. Buyer and Sellers hereby acknowledge that (i) Buyer and Sellers jointly and equally participated in the drafting of this Agreement and all other agreements contemplated hereby, (ii) Buyer and Sellers have been adequately represented and advised by legal counsel with respect to this Agreement and the transactions contemplated hereby, and (iii) no presumption shall be made that any provision of this Agreement shall be construed against either party by reason of such role in the drafting of this Agreement and any other agreement contemplated hereby

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Sellers and Buyer as of the date first above written.

SELLERS:

ALLEGIANCE TELECOM, INC

By

Name

Title

ALLEGIANCE TELECOM COMPANY WORLDWIDE
ADGRAFIX CORPORATION
ALGX BUSINESS INTERNET, INC
ALLEGIANCE INTERNET, INC
ALLEGIANCE TELECOM INTERNATIONAL, INC
ALLEGIANCE TELECOM OF ARIZONA, INC
ALLEGIANCE TELECOM OF CALIFORNIA, INC
ALLEGIANCE TELECOM OF COLORADO, INC
ALLEGIANCE TELECOM OF FLORIDA, INC
ALLEGIANCE TELECOM OF GEORGIA, INC.
ALLEGIANCE TELECOM OF ILLINOIS, INC.
ALLEGIANCE TELECOM OF INDIANA, INC.
ALLEGIANCE TELECOM OF MARYLAND, INC.
ALLEGIANCE TELECOM OF MASSACHUSETTS, INC.
ALLEGIANCE TELECOM OF MICHIGAN, INC
ALLEGIANCE TELECOM OF MINNESOTA, INC
ALLEGIANCE TELECOM OF MISSOURI, INC
ALLEGIANCE TELECOM OF NEVADA, INC.
ALLEGIANCE TELECOM OF NEW JERSEY, INC.
ALLEGIANCE TELECOM OF NEW YORK, INC.
ALLEGIANCE TELECOM OF NORTH CAROLINA, INC
ALLEGIANCE TELECOM OF OHIO, INC
ALLEGIANCE TELECOM OF OKLAHOMA, INC.
ALLEGIANCE TELECOM OF OREGON, INC.
ALLEGIANCE TELECOM OF PENNSYLVANIA, INC.
ALLEGIANCE TELECOM OF TEXAS, INC
ALLEGIANCE TELECOM OF THE DISTRICT OF COLUMBIA, INC
ALLEGIANCE TELECOM OF VIRGINIA, INC
ALLEGIANCE TELECOM OF WASHINGTON, INC
ALLEGIANCE TELECOM OF WISCONSIN, INC.
ALLEGIANCE TELECOM PURCHASING COMPANY
ALLEGIANCE TELECOM SERVICE CORPORATION
COAST TO COAST TELECOMMUNICATIONS, INC.
HOSTING COM, INC
INTERACCESS TELECOMMUNICATIONS CO

(Signatures Continued)

JUMP.NET, INC
VIRTUALIS SYSTEMS, INC

By

Name
Title

(Signatures Continued)

BUYER:

XO COMMUNICATIONS, INC

By

Name
Title

